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# Leaders and Laggards: The Influence of Competing Logics on Corporate Environmental Action

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**ABSTRACT.** We study the sources of resistance to change among firms in the Canadian petroleum industry in response to a shift in societal level logics related to corporate environmental performance. Despite challenges to its legitimacy as a result of poor environmental performance, the Canadian petroleum industry was divided as to how to respond, with some members ignoring the concerns and resisting change (i.e., laggards) while others took action to ensure continued legitimacy (i.e., leaders). We examine why organizations within the same institutional field responded differently, delaying the industry response. We found that one population of firms was aligned with increasing pressures from its stakeholders for improved environmental performance, and the other was influenced by local cultural, political, and economic ideals less demanding of environmental actions. Our results reveal that several factors both at the institutional field level and the organizational level affected how these two populations reacted to a changing societal logic. Implications for theory, practice, and future research are discussed.

**KEY WORDS:** environmental performance, environmental reporting, institutional logics, legitimacy, corporate responsibility

## Introduction

When corporations are faced with social or environmental legitimacy concerns, the extant literature attempts to explain how they will react to close the gap. Sethi's (1979) early work suggested that there are various business strategies for narrowing a legitimacy gap: the organization can change either (1) business performance; (2) perceptions of performance, but not performance itself; or (3) the symbols used to describe performance thereby making it

consistent with perceptions. When implementing strategies, responses can range on a continuum from "do nothing" to "do much" (Carroll, 1979). Existing theories, namely, institutional, stakeholder, and resource dependency, provide insight into response variance by firms; however, none of these theories by themselves can explain why companies within the *same* industry (i.e., the Canadian petroleum industry<sup>1</sup>) chose to respond *differently* to close the industry's legitimacy gap. For example, stakeholder theory suggests that firms answer to different constituents, thus causing response variance. However, stakeholder theory fails to explain why firms in our case study did not respond to one of its biggest stakeholders, its own industry association. Similarly, a resource dependency perspective would predict response variance due to differences in access to resources, proxied by size. However, this perspective does not explain why some of the smaller firms in the Canadian petroleum industry are industry leaders, while some of the largest companies lag when it comes to corporate social responsibility.

Over the period of our study, shifting societal level logics for improved corporate environmental performance created legitimacy concerns for many industries, especially for resource-intensive industries. Several of these industries responded by actually changing their behavior by implementing or expanding environmental programs and reporting their environmental performance. We investigate why competing logics on the part of Canadian petroleum firms created conflicts in establishing industry norms for tracking and reporting environmental performance, delaying the industry response compared to other environmentally sensitive, resource-based industries. Some firms responded by

actually changing behavior; yet, others felt that perceptions of *stakeholders* required changing and did little or nothing to assess their own environmental performance. Thus, we ask the question: What impeded the Canadian petroleum industry's ability to act collectively? Combining archival and interview data to conduct a historical analysis, we demonstrate how differing responses to changing societal logics divided the field on the issue of developing an industry-wide environmental management system and performance disclosure program. Thus, we investigate the resistance to change by some of the industry's firms by analyzing forces at both the organization and field level to offer contributions to the fields of institutional logics and corporate responsiveness.

Our findings indicate that one population of firms was more receptive to the societal shift toward a stakeholder logic and, thus, developed strategies more aligned with increasing pressures for corporate environmental actions, while the other population remained guided by a shareholder logic that was influenced by local cultural, political, and economic ideals less demanding of environmental actions. These two populations perceived and responded to legitimacy concerns with different strategies due to differences in organizational characteristics such as size, geographic location of operations, and breadth of operations. Also, the characteristics of the institutional field, especially the structure of the industry's trade associations and the local context, influenced the development of two different logics regarding acceptable corporate social behavior. As a result, a group of the industry's firms, unwilling to participate in the industry association's efforts to initiate an environmental performance and reporting program, delayed the environmental response of the industry overall.

In the next section, we provide a conceptual framework by reviewing relevant literature in the area of institutional logics and the collective response of industries to threats to legitimacy as well as providing background on the Canadian petroleum industry. We then describe our context in more detail and outline the methodology for our study. This is followed by our findings, where we outline two competing logics around corporate environmental action and discuss the factors that influenced why firms adopted and applied these different logics.

We conclude by presenting the implications of our findings.

## Conceptual framework

### *Institutional theory and corporate social responsibility*

Institutional theory aims to understand how an organization interacts with its institutional context to determine its reaction to societal expectations and how such expectations are incorporated in its activities (Martinez, 1999). Scott (1995) defines institutions as "cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour" (p. 33). Early work in the area of institutional theory focused on the diffusion of institutional effects across institutional fields through mimetic, coercive, and normative forces, suggesting that organizations become isomorphic (i.e., similar) for reasons of legitimacy and thus create uniformity in organizational responses (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 1991).

Considerable research (e.g., Deegan, 2002; Doh and Guay, 2006) has investigated corporate social responsibility using an institutional theory framework. For instance, Patten (1992) studied Exxon's response to its highly publicized oil spill of 1989, which resulted in a legitimacy threat to the company. Patten found that subsequent to the spill, Exxon increased its corporate environmental reporting to demonstrate its good intentions toward the environment. As a great deal of uncertainty exists regarding acceptable standards for environmental reporting, isomorphic forces should lead institutional members to create similar procedures and practices. Consequently, companies would be expected to adopt globally recognized environmental and communication standards (Bansal, 2005).

However, conformity to existing norms may be difficult when organizations face different stakeholders with different interests. Many industries, including the petroleum industry, operate in complex environments in which they perceive pragmatic legitimacy, which serves the economic interests of the shareholders, to conflict with moral legitimacy, which emphasizes the environmental and health interests of stakeholders (see Suchman, 1995).

Campbell et al. (2003) examined organizations that differed in their level of perceived social and ethical behavior, and found that companies with fewer critical legitimacy concerns sometimes disclosed more than their less legitimate counterparts. Based on their findings, Campbell et al. questioned whether institutional theory accounted for variation in social disclosure in the context of their study. Several studies have examined the collective response of industries to threats to their legitimacy, which we discuss in the next section. Thereafter, we provide insight into response variance through institutional logics.

#### *The collective response of industries to legitimacy threats*

In recent years, several studies have examined the collective use of corporate social action at the level of industries to preserve or protect their interests (Barnett, 2006a, b; Hoffman, 1999; King and Lenox, 2000; King et al., 2002). Barnett (2006b) described how the tobacco, nuclear power, apparel, and footwear industries all intensified their collective efforts when threatened by a loss of public approval. Hoffman (1999, 2001a, b) investigated how the U.S. chemical and petroleum industries responded to increasing regulatory pressures regarding their environmental performance, initially pursuing confrontational strategies, but by the late 1980s, embracing corporate environmentalism.

Industry level pressures for environmental actions may come from customers, industry associations, or the competitive pressures of dominant firms setting new standards for environmental performance (Christmann, 2004). At the industry level, legitimacy is a collective good and thus subject to the problems of free riding and the difficulty of mobilizing collective action (Barnett, 2006a). Regardless of their individual performance, members of an industry can become "tarred by the same brush" (King and Lenox, 2000). As a result, firms may join forces to fend off a threat to the legitimacy of the entire industry.

The chemical industry in Canada, as well as in other countries, came under severe public scrutiny primarily due to the incident in Bhopal, India (Petrick et al., 1999). Therefore, in the mid-1980s the Canadian Chemical Producers' Association introduced an industry-wide environmental management system,

the Responsible Care Program (Responsible Care-In-Place® Verification, 1997, 2001) as a key component of its legitimization process (Schmitt, 2001). Similarly, the Canadian forestry industry was threatened by growing disapproval of the practice of cutting down old growth forest in British Columbia (Bansal, 2001). Consequently, the forestry industry participated in the development of provincial codes and then a national forestry standard through the Canadian Standards Association. Along with higher performance standards comes a requirement of accountability through reporting. After an organization engages in environmental activities for a period of time, the next step is to disclose those activities to interested parties. This disclosure is used both internally and externally for decision-making purposes. Previous research has also shown that industries that engage in resource extraction are more likely to provide disclosure on environmental activities by engaging in reporting (Bewley and Li, 2000; Herremans et al., 1993). Furthermore, it is common to use environmental reporting for tests of legitimacy theory (e.g., see Hooghiemstra, 2000).

Our review thus far suggests that in the face of legitimacy concerns, the Canadian petroleum industry would be expected to respond by working collectively to maintain legitimacy through the development of standards for environmental actions and reporting. However, this did not happen. Instead, a group of firms, unwilling to participate in the industry association's efforts to initiate an environmental performance and reporting program, delayed the environmental response of the industry overall. This resistance to change in the Canadian petroleum industry is supported by other studies. Bansal (2005) found that the Canadian petroleum industry lagged behind the mining and forestry industries in sustainability performance and reporting, and Aerts et al. (2006) found that the Canadian petroleum industry had low intra-industry imitation compared to petroleum industries in other countries.

#### *Institutional logics*

A focus on institutional logics may help explain variation in responses to legitimacy threats. Even though current work employing an institutional approach still shares an interest in how cultural rules

and cognitive structures shape institutions, the trend is away from investigations of how organizational fields are driven to become similar and static over time (Hirsch, 1997; Hirsch and Lounsbury, 1997; Hoffman and Ventresca, 2002) and toward understanding the differential effects of institutions on the behavior of actors. From this perspective, institutional fields are heterogeneous, dynamic, and contested (Hirsch and Lounsbury, 1997), and institutionalization is envisioned as a process rather than an outcome. Studying institutionalization as a process focuses attention on how institutions shape cultural, political, and economic interests and how those interests are translated into organizational actions, which are also influenced by cognitive and cultural frameworks (DiMaggio and Powell, 1991; Scott, 2001). Individuals and organizations are constrained in their choice of actions by individual-, organizational-, and societal-level institutions (Friedland and Alford, 1991). Furthermore, these levels are nested, and thus attention to multiple levels is crucial to understanding how institutions constrain action, which has resulted in a growing research stream in the area of institutional logics (for a recent review of this literature see Thornton and Ocasio, 2008). In studying the impact of institutional logics, Dillard et al. (2004), and Clegg (1999) have argued that the field is influenced by organization-level characteristics and Battilana (2006) suggests that it is important to consider all three levels of analysis: fields, organizations, and individuals.

Scott (2001) described institutional logics as the belief systems and related practices that dominate an institutional field and provide guidelines to actors within the field. These logics “structure the cognition of actors in organizations and provide a collective understanding of how strategic interests and decisions are formulated” (Thornton, 2002, p. 82), and guide organizational decision making by determining which issues and problems are salient to management (Lounsbury, 2007). In this body of research, organizations are embedded within prevailing institutional logics, which both enable and constrain organizational decisions and outcomes (Thornton and Ocasio, 2008).

Recent research in the area of institutional logics has delved into the notion of competing logics (Lounsbury, 2007; Marquis and Lounsbury, 2007; Thornton, 2002), rather than a dominant logic

(Thornton and Ocasio, 1999) and how competing logics shape institutional fields. These studies suggest that several organizational populations can exist in an institutional field. Organizations within a population “share similar interests and may, under appropriate circumstances, band together to protect [their member organizations]” (Scott and Davis, 2007, p. 117). Suddaby and Greenwood (2005) suggested that organizations in the same institutional field are embedded within an enacted context wherein higher-order societal institutions (such as the family, religion, government, and the professions) shape an organization’s vision of the world. Seo and Creed (2002) have suggested that institutional contradictions – that is to say, the various inconsistencies that develop within and among institutional systems – lead some actors to try to initiate institutional change in an effort to resolve the inconsistencies. Mattingly and Hall (2008) have emphasized the importance of competing societal logics in explaining the social forces that shape collective action and whether or not it proves to be effective. They note that logics guide “the types of action that tend to seem reasonable to various factions in an organization field” (Mattingly and Hall, 2008, p. 69). Furthermore, such competing logics can be a source of resistance to change, as demonstrated by Marquis and Lounsbury (2007).

According to the institutional logics perspective, in addition to organization and field-level influences, how organizations interpret the meaning and consequences of external threats to legitimacy will also be contingent on their social context (Friedland and Alford, 1991). Legitimacy is a perception that the actions of an entity are appropriate within a socially constructed system of norms, values, and beliefs (Suchman, 1995). Corporations generally attempt to demonstrate credibility and legitimacy by conforming to the institutionalized demands of constituents (Hunter and Bansal, 2006); and to do so, often organizations will imitate the responses of successful peers (Deephouse, 1996; Lamertz et al., 2005). As noted by Deephouse and Carter (2005, p. 351), “if a firm’s actions or structures do not meet social expectations, a firm can have its legitimacy questioned and challenged,” and low environmental legitimacy can pose a risk to profitability (Payne and Raiborn, 2001).

Our study builds on this body of research by examining why firms in the Canadian petroleum



industry responded differently to the institutional contradictions presented by a shift in societal level logics related to corporate environmental reporting. We do this through the lens of competing logics by examining factors at both the organizational and field levels.

## Method

Drawing from multiple data sources, and using a general analytical inductive approach, we followed Eisenhardt's (1989) and Yin's (1998, 2003) recommendations for case study research and the processes suggested by Miles and Huberman (1994) for analyzing qualitative data. While our interview data have an emphasis on the organizational level, we also analyze the field level using both archival and interview data to explain institutional forces that motivated different strategic responses by the industry members. Attention to both levels was crucial for understanding how the firms in this industry differed in their responses to societal level changes through environmental performance and reporting.

### *Study context*

According to the Canadian Association of Petroleum Producers' (CAPP) website, Canada is the third largest producer of natural gas and the ninth largest producer of crude oil in the world. In this industry, even though all the major multinational corporations have a presence in Canada, over 200 producers make up the industry. Many of the remaining companies operate only in Canada or in Canada and the United States. The Board of Governors for CAPP was formed with equal representation from each of three segments: small, medium, and large (10 representatives each). Due to this governance structure, the larger firms do not dominate as much as expected based on production or revenues. Thus, the industry lacks a dominating force that could provide homogeneity. In 1999, CAPP introduced its Stewardship Program to improve environmental performance and reporting of performance. However, the introduction of this program came several years after the industry's largest producers began environmental disclosure, six years after CAPP's US counterpart

(American Petroleum Institute) began reporting, and well behind other environmentally sensitive industries, such as the chemical and forestry industries.

### *Data sources and analysis*

We draw from multiple sources to develop our analysis. Two major types were used: archival data and interviews.

#### *Archival data*

We used archival data to assess the state of the industry's reputation and to understand the context in which the industry was operating. Studies from independent polling agencies were used to determine the perception of the industry's reputation during the decade of the 1990s. Then, we used key search terms and digitized databases to search the most prominent national (The Globe and Mail) and local (The Calgary Herald) newspapers to count positive and negative newspaper articles about the industry and individual companies for a ten-year period. These articles were coded as positive or negative by research assistants and compared for agreement. Any disagreements were solved with the assistance of the lead researcher. Communication by the industry and individual companies was monitored over the same period of time (environmental reports, websites, greenhouse gas emissions reports, annual reports, reporting awards) to determine which companies were reporting, and the quality of, and motivation for, the reports. Organizational characteristics were gathered primarily from Bloomberg and Benjamin Financial databases. Benjamin Financial database specializes in the collection of both financial and operational data on the North American energy industry. Trade association data were gathered from the membership lists of the various trade associations. Finally, a review of election results gave us a sense of the economically conservative political atmosphere in the province in which most petroleum companies are headquartered. This conservative ideology, which we discuss in the results section, was reinforced in our interviews.

#### *Focused interviews*

We conducted two sets of interviews over a six-year period, with on-going contact with subject matter

experts between the two sets. To determine appropriate questions for the interviews, we reviewed archival data, such as corporate environmental reports; consultants' reports prepared for the industry on environmental reporting; watchdog organizations' reports; reports by environmental non-government organizations (ENGOS); and environmental reporting guidelines used by other industries. In the first set, we held eight groups of interviews with two to four subject matter experts in each group (24 total), representing six categories: eight corporate environmental managers (three from large corporations, three intermediate, and two small); four from environmental groups; six from government/regulatory groups; three consultants; one industry watchdog; and two accounting groups involved with environmental systems. Company size was defined as per CAPP's tier structure, in which the 20 top producers are tier 1 (or large), the next 40 are tier 2 (intermediate), and the remaining firms are tier 3 (small). We deliberately selected categories of persons known to hold different perspectives on corporate social responsibility (Yin, 2003), to maximize our opportunity to understand the different logics held by industry participants.

Subject matter experts in each category were asked the same core question. (e.g., where does society think the petroleum companies are in regard to addressing environmental performance and reporting?) The researchers allowed some flexibility for participants to provide information unique to their knowledge base.

During this first set of interviews, it became apparent that the industry was not ready to publically disclose information on industry environmental performance (dissimilar to other environmentally sensitive industries in Canada and the same industry in the United States). This conclusion was based on the strong, conflicting points of view from company managers about the notion of industry transparency, the lack of current actions and reporting, and the history of failed attempts to agree on even a basic set of reporting indicators. Although we observed various stages of readiness by industry members, we found that different fundamental beliefs were a barrier to moving forward as an industry. At this time, there was very little attempt to boost legitimacy through reporting, with only two firms providing any substantial environmental disclosure.

After six years, when more corporate reporting had occurred, we conducted follow-up interviews (two hours each) using semi-structured questions to determine motives. We interviewed five environmental managers representing three companies considered to be environmental leaders in performance and reporting. We conducted one final three-hour interview with a representative of CAPP, asking questions about the industry's Stewardship Program and Report, the motivation for producing the report, cooperation of the industry's member companies, and future plans for attaining higher levels of performance and reporting. During the first round of interviews, very little reporting activity had occurred in the industry. For the second round, we specifically targeted those companies who were leaders to more clearly determine their motivations for changing. Because the trade association had just initiated its Stewardship Program and had an overall perspective on its members' views on this program, a representative from CAPP helped to clarify the resistance to change for the laggards. This information source was deemed appropriate considering that CAPP was wrestling with the laggards regarding the need for change.

Guided by the initial interview questions, we read each interview transcript several times to gain familiarity with the material. Initially, we used descriptive codes to label chunks of information in each transcript. The initial codes that emerged included the following: ideology/philosophy of the industry; ideology/philosophy of society; usefulness of environmental policies; control system elements (e.g., environmental audits); environmental performance of the industry; costs/benefits of environmental performance; communication of the industry; usefulness of a benchmarking system; process of creating a benchmarking system; size; role of CAPP; and self-policing.

We then looked for patterns among the codes, eliminating redundancies and broadening or narrowing the categories where necessary until major themes evolved. Our analysis began to cluster around the differing attitudes of two dominant groups with regard to several key issues. After more sorting and clustering, we were able to group the codes into the following themes regarding attitudes: environmental performance, regulation, shareholders, and how these factors shaped environmental

reporting. These themes were used to describe two different institutional logics guiding the strategic actions of the firms in this industry.

To improve the reliability of our analysis, we used coding consistency checks (three research assistants looked for inconsistencies between transcripts and coding with any discrepancies resolved) and stakeholder checks (review of the final manuscript with subject area specialists). Although observation, participation, and archival data were not codified for this study, one author's continued association with the industry through participation in several stakeholder reviews of environmental reports, review of industry communication documents, and participation on board meetings of a major communication foundation for the industry helped to ensure the validity of the transcript interpretation. These multiple sources of evidence helped to yield richer insight and understanding of our interview data, the context, and the phenomenon studied (Eisenhardt, 1989; Scandura and Williams, 2000; Yin, 2003).

## Findings

### *An industry under attack*

The archival data revealed that the petroleum industry faced concerns regarding its reputation and legitimacy due to shifting societal expectations. Throughout the 1980s and 1990s, several local and international incidents created skepticism regarding the industry's ability to meet society's demands (see Table I). Public concerns over industry conduct reduced industry access to drilling rights in several communities. Furthermore, the regulatory agency required all companies to engage in public consultation with communities due to increasing conflicts (EUB, 1999). Our search of one of Canada's major national newspapers, the *Globe and Mail*, revealed a 3:1 ratio of negative to positive articles regarding the environmental performance of the industry between 1991 and 2001.

Several polls taken between 1994 and 2002 (see Table II) illustrate the declining reputation of the industry at the same time that society's demands for improved environmental performance and reporting were increasing. In 1994, when Canadians consistently cited the environment as equal in importance

to crime and taxes (Angus Reid Group, 1994), the petroleum industry was viewed as a "poor environmental performer" (Angus Reid Group, 1994). Two years later, Canadians perceived the energy industry as the furthest from sustainability (Environmental Monitor, 1996). In 2000, the industry had the highest level of negative ratings of any industry tested. Forty-three percent of Canadians indicated that their opinions of the industry had worsened ((PCF) Petroleum Communications Foundation, 2000). Finally, in 2002, the percentage of Canadians that viewed the industry as causing significant environmental damage continued to increase. The results of the polls, reduced drilling access, increased number of hearings to access land, and negative media attention all suggest the industry was facing an increasing threat to its legitimacy.

### *Competing institutional logics: resistance to change*

Our analysis of the interview and archival data revealed that firms within the industry were driven by different institutional logics with one population guided by a logic aligned with increasing societal pressures for improved corporate environmental performance and reporting (labeled "leaders,") and the other guided by a logic shaped by local, cultural, political, and economic ideals less receptive to environmental performance and reporting (labeled "laggards"). In reality these two populations are not entirely mutually exclusive, but rather firms in the industry are more likely placed on a continuum. However, for simplicity in discussing our findings, we will speak only of the extremes in the differing logics of leaders and laggards. For these two populations, we detected key differences in attitudes toward the following themes: environmental performance, regulation, and the emphasis on shareholders vs. stakeholders. These different attitudes in turn resulted in different actions on the part of these companies, including their willingness to improve environmental performance and to disclose their actions. This dichotomy in attitudes and actions was consistently expressed by the respondents that participated in the interviews.

When public hostility and protest increased to the extent that it was interfering with access to lands for oil exploration and development, the industry



TABLE I  
Challenges to the legitimacy of the Canadian petroleum industry

| Year  | Event  | Impact  | Action   |
|-------|--|---|--|
| 1982  | Amoco Canada experienced a 67-day sour gas blowout in Lodgepole, Alberta.  | Amoco's application for an exploratory well in the Southeastern Canadian Rocky Mountains was denied in 1994, after an investment of \$1.6 million in this geographic area.                                  | Amoco published its first environmental report in 1996. It continued reporting annually until the firm merged with BP in 1998 and now reports through BP.  |
| 1989  | Exxon Valdez spilled 11 million gallons of oil in the waters of Prince William Sound, Alaska.                                    | This spill resulted in major media coverage, scientific studies examining the effects, bad publicity for Exxon and the industry.  | Exxon (now ExxonMobil) publishes annual data on environmental performance, health and safety, community engagement, and global issues in a Corporate Citizenship Report. The corporation has posted a \$4.8 billion letter of credit for a pending class action suit.  |
| 1990s | Environmental activist Wiebo Ludwig repeatedly vandalized Alberta Energy Company's (AEC) well sites.                             | Over 975 newspaper articles reported Ludwig's and the industry's actions. An award winning book, <i>Saboteurs</i> , published in 2001, raised issues regarding health effects.                              | In 2000, Ludwig was jailed for 28 months for possession of explosives and well site damage. AEC merged with Pan Canadian in 2002 and since provides numerous environmental documents on its website.   |
| 1998  | Alberta rancher, Wayne Roberts, shot and killed the VP of KB Resources after disagreements about contamination on Roberts' land. | Widespread media attention raised concerns about industry practices.  | Roberts was sentenced to life in prison. KB Resources amalgamated with Mesquite Exploration.   |
| 1999  | Talisman invested in the Greater Nile Oil Project in Sudan.  | In 1999, major human rights, religious, and government groups suggested that Talisman's profits supported the Sudanese government's civil war efforts, resulting in a threat to de-list Talisman from NYSE. | Talisman lost approximately one-third of its share value during the controversy. In 2002, Talisman sold its shares to India's national oil company. Since 2000, Talisman has published a corporate responsibility report and has signed the Global Compact and the International Code of Ethics for Canadian Business. |

TABLE II  
Society's perceptions of the Canadian petroleum industry

| Study   | Society's expectations  | Society's <i>Negative</i> perception of the industry   | Society's <i>Positive</i> perception of the industry                  |
|---|---|--|---|
| 1994 Angus Reid Group   | 5% of Canadians cited the environment as equally important to crime, taxes, and immigration.  | 65% rated industry as "environmentally careless".  | 27% rated industry as "environmentally careful".                      |
| 1996 The Environmental Monitor                                    | Over 80% suggest the environment deserves equal or more protection than the economy and rate sustainable development as a major priority; 43% want the industry to exceed regulations and standards.      | 65% rated the industry as a "poor environmental" performer.  | 10% indicated that the industry was a "good environmental performer". |
| 2000 PCF (Prepared by Earncliffe Research)                        | Honesty, accountability, and responsibility to the environment/community were most desired industry characteristics; 59% felt climate change was a major problem.   | Honesty and environmental stewardship received poor ratings; petroleum industry ranked as industry second most responsible for climate change. | N/A   |
| 2002 Natural Resources Canada (Prepared by Decima Research, Inc.) | 46% of Canadians find the environmental impacts from the oil and gas sector acceptable. There is growing concern about environmental damage and lack of industry commitment to reducing negative impacts. | 43% believe that the petroleum sector is causing significant environmental damage. Up 10 points from 1997.                                     | N/A   |

association attempted to convince all association members to engage in a Stewardship Program designed to improve and report environmental performance. Knowing that this required considerable persuasion, industry association staff engaged those companies that already had extensive environmental programs to convince other industry members that the program was necessary. Initially, the Stewardship Program was voluntary, allowing laggards to remain part of the association during a learning period. Eventually, in 2004, the Program became mandatory. An industry representative explained the process in this manner.

We've been talking about industry association [environmental] reporting probably since the late 1980s, and what really brought it to the front...was the series of events that happened around the Weibo Ludwig affair and the unfortunate death of Patrick Kent (see Table I). It was becoming obvious that we needed to do a better job as an industry of telling the public what we're about...are we getting better?...worse? We didn't even know ourselves...Over the period of 1998 and 1999 we got the [Stewardship] Program underway, and I have to say that the initial industry leadership quickly vanished. I'm not sure why. I would say the CAPP staff not pushing it was probably 70% of the problem, and the other 30% was that people did not see value in it...A lot of the companies that were...influential in getting it passed, were already reporting so it wasn't a big deal for them.

Our explorations revealed that the industry was divided on how to respond to these legitimacy concerns. Leaders recognized their lowered credibility, but the laggards tended to blame the criticisms of the industry on the inability of stakeholders to understand. One respondent noted that "people's perceptions about the environment are so engrained that even if they see it all laid out, they won't believe it. We are fighting people's perceptions, not what is real." Although both populations perceived that their environmental reputation was poor, the laggards did not perceive this as a concern. Their primary concern was their investors, and laggards even suggested that attention to environmental concerns would hurt rather than help the shareholders' perception of the industry. While the leaders perceived environmental concerns, the laggards did not. Consequently, the two organizational populations

employed different response strategies. The leaders initiated environmental actions and various types of disclosure, which tended to be of a higher quality (e.g., use of indicators, audit processes, and reporting standards). In addition, several of these leaders engaged stakeholders in various ways to determine if the company's level of environmental performance was adequate. In contrast, the laggards made use of avoidance and defiance strategies (Oliver, 1991). Tables III, IV, V, and VI provide more detail about these logics with sample quotations to support our analysis. These differences in attitudes toward environmental reporting, regulation, and stakeholders are now described in more detail.

#### *Attitudes toward environmental performance*

The two institutional logics were evidenced, first and foremost, by the differences placed on the person responsible for environmental performance (see Table III). The environmental position held by leaders generally had direct reporting to senior management. In contrast, laggards often had only a part-time or no environmental position. To ensure that environmental performance became part of every worker's day-to-day activities, leaders had decentralized decision making for local subsidiaries, performed third-party audits, began to implement legislation before it was passed, and provided every worker with principles to guide decision making. These guiding principles flowed throughout the organization, even to field employees. One environmental technical specialist (independently employed) commented that "the guys who are doing the routine operation and those who operate the weed sprayers and bulldozers are all aware of the kinds of things they are not suppose to be doing and why, and they are excited about it." Laggards differentiated the petroleum industry from the chemical industry, rationalizing that their operations were less hazardous environmentally. Because they did not perceive the petroleum industry to be particularly hazardous, they did not perceive a need for environmental reporting.

#### *Attitudes toward regulation*

Regarding regulation and the role of government (see Table IV), leaders moved beyond compliance and were concerned about qualifying for ethical investments, benchmarking against their peer group,

TABLE III  
Attitude toward environmental performance

| Leaders logic                      |  | Laggards logic                             |  |
|------------------------------------|--|--|--|
| Awareness of change                | Times change and you can't do business the same way these days. There are global expectations.   | Lack of awareness                          | The attitude is get in, get out what you can, and somebody else will clean up the mess.  |
|                                    | There is no point in doing this unless these things are important to the company.  |  | The big distinction is that the primary environmental impact of oil and gas are not seen as hazardous in the same way as chemical.   |
|                                    | All the companies that tried to put [the international code of ethics] together now publicly acknowledge that this is the way to do business internationally.  |  | Environmental protection is a cost item. Regulation is expensive.  |
| Training and empowerment           | You would be surprised how many times team leaders...refer back to these guiding principles.   | Lack of training and empowerment           | The investment community is not a great supporter of environmental protection because we live in a 3-month world and companies must measure up.  |
|                                    | Rather than getting it done through an environment department, everybody in the company subscribes to that environmental philosophy.   |  | The environmental position within our company has never been full time. Environmental performance seems to have more benefits if you are a retail operation.   |
|                                    | It is easy to dismiss [Company A's] environmental policy as motherhood, but I know when I go to do a site examination, the guys who are doing the routine operation and those who operate the weed sprayers and bulldozers are all aware of the kinds of things they are not suppose to be doing and why, and they are excited about it. |  | One large company, basically, has no environmental capability any more. They let them go. As I understand it, they down graded that position. There are still a lot of companies that don't have environmental departments at all. If enforcement were better, those guys would be paying lots of fines. |
| Senior management/board commitment | In our organization, the environment is very important. I report directly to the president. We have a local board at our Canadian subsidiary, and the whole board is involved in environmental, health, and safety issues.   | Lack of senior management/board commitment | To convince their Board of Directors that there is a bottom line question is much more difficult. We have taken this to the Board of Governors a few times, and they are not ready to go there yet (reporting).  |



TABLE III  
continued

| Leaders logic       |  | Laggards logic         |
|---------------------|--|------------------------|
| Procedures in place | <p>The highest level of compliance is the third-party audit by offsite personnel...These are world-wide compliance assurance audits and at a lesser level there would be a local audit.</p> <p>You would be surprised how many times team leaders...on the ground making decisions...refer back to these guiding principles.</p> <p>We have lots of contractors. They all have a copy of our policy. We ask them to read it and abide by it.</p> <p>You look at the standards and compare with what you actually do...a very hands on approach. We try to imbue these into people's work ethic and make them realize that this is an important piece of their job.</p> | No procedures in place |

TABLE IV  
Attitude toward regulation

| Leaders Logic                            |  | Laggards logic   |
|--|--|--|
| Anticipating and going beyond regulation | <p>We saw the law (Alberta Environmental Protection Act) three years before it was passed...so it has been a gradual change.</p> <p>Most of the time the leadership is provided by the companies themselves.</p> <p>With Company B and C, they know why they put in an extra two years and probably a million dollars into the environmental assessment, far beyond anything the board requires.</p> | <p>There is an extreme right wing ideology that says get less government, less government, there is no room for government here.</p> <p>Everyone thinks it is to the industry's advantage to deregulate, de-police, and de-enforce. They see regulation as a burden to development activities which feeds the economy.</p> <p>Lack of enforcement is the biggest threat because the industry has no adequate history of policing itself.</p> |

performing self-audits, and ensuring that they were good role models. In contrast, laggards were modeled by a government that believed environmental actions and economic development were trade-offs. Largely due to the local government (discussed later), they attended to signals by an "extreme right wing ideology that says less government, less government, there is no room for government here." Weak enforcement, due to lack of sufficient funding by the government, supported this attitude. For instance, the CAPP representative indicated that the attitude of the laggards was often to "get in, get out what you can, and somebody else will clean up the mess."

#### *Attitudes toward stakeholders*

Leaders recognized stakeholders' demands for information about oil industry operations, especially in their communities (see Table V). "Openness and transparency" became key values for these firms. Some of these firms were even willing to turn in licenses if they perceived that the public objected strongly to drilling in a particular area. One company commented: "My feeling is that if the community doesn't want you maybe you should not be there despite all the approvals." Leaders actively invited stakeholders to provide opinions on a variety of operational activities and shared data with them through local committees.

In contrast, the attitude of the laggards was one of independence. "I came up by my bootstraps, and I am going to do things my way." To them, independence meant freedom "from anybody telling you the way you've got to do it." They rationalized that shareholders did not "give two hoots" about the environment and that society did not understand the oil business and its environmental impact. This attitude toward stakeholders was maintained through an association that "doesn't like being told what to do" and a government that "questioned a number of times the environmental conditions that [regulatory departments] would like to place on industry."

#### *Attitudes toward environmental reporting*

These attitudes toward environmental actions, regulation, and shareholders influenced the firms' decisions to report performance. Leaders indicated that they reaped "opportunity cost savings,"

"competitive edges," internal economic improvements, and opportunities for operating partnerships. They viewed good environmental performance as an investment in future access to land for exploration and against bad publicity. One company continued its environmental performance and reporting even when it was experiencing financial losses. Several companies tied their profit-sharing or bonus programs partially to environmental performance indicators. One firm commented: "It is an element in everyone's performance contract." In contrast, laggards saw environmental protection as a "cost item" and regulation as "expensive." This attitude was supported by an investment community that, at that time, was "not a great supporter of environmental protection" because of the demand for high quarterly earnings and the perception that "doing more than what they needed to do to comply...would be wasting money." Neither did they believe that the Responsible Care program helped to improve the chemical industry's reputation; therefore, a similar program would not improve the petroleum industry's reputation.

Leaders felt that reporting is "part of being transparent and engaging the stakeholders." Most were engaged in global trade and understood "the demand for comparative analysis." They felt that reporting opened markets in foreign countries where their reputations were not well known. Reporting companies were driven by values of honesty and integrity. They would report bad performance along with good performance and avoided reporting indicators in which data integrity might be an issue. Several indicators in the reports were reviewed through third-party assurances. Leaders also used their reports to improve internal management and saw an overlap between economic and environmental performance. They were disappointed to see the lack of progress in industry reporting and tried to convince laggards that it was the right thing to do. In contrast, laggards felt that "no news is good news." They were unwilling to "put their company data with their name forward in the document" as the information "may be used against them." They rationalized that any measuring instrument would not be fair "because our plant is different." They were unwilling to do anything that was not required by regulation and did not believe that reporting led to better management.

TABLE V  
Attitude toward stakeholders

| Leaders logic  |  | Laggards logic            |  |
|--|--|---------------------------|--|
| Attentive to stakeholders  | Attentive to stakeholders  | Attentive to stakeholders | Attentive to stakeholders  |
| <p>We are really moving into transparency and stakeholder engagement. If you want to be a sustainable company then you better get onboard.</p> <p>My feeling is that if the community doesn't want you maybe you should not be there...</p> <p>Public scrutiny was a big part of developing it.</p> <p>If you haven't addressed their concerns and you come along and want to put an expansion in there, they are going to be saying, not on my land... They will fight you all the way. And we will lose our license to operate.</p> <p>We would like to see more external stakeholders involved in vetting the data. We expect there will be more market pressure.</p> <p>With one area, stakeholder relations, we decided that it is such a critical piece of what we do. We take pride in it and pay a lot of attention to it.</p> | <p>Openness and transparency is the watchword of the day and is important. It is time that we become more transparent.</p> <p>Part of that is being transparent and engaging the stakeholders.</p> <p>We are not going to put anything in there that we do not have a great deal of comfort about [regarding data integrity].</p> <p>[Company A's] report is a good example of a company reporting their problems as well as their successes.</p> <p>We have had some bad things happen that we are not very proud of... and we report that. It may be the single biggest factor in credibility.</p> | Reluctant                 | <p>These guys say I am an independent, and I came up by my bootstraps, and I am going to do things my way.</p> <p>There is a certain philosophy as to what it means to be an oilman and what it means to be in the oil business in Alberta. It means independence from anybody telling you the way you've got to do it.</p> <p>Does the shareholder give two hoots about environmental issues?</p> <p>That is something that a lot of our members do not think about... that we are impacting society and for that reason we better tell them how we are running our companies.</p> <p>There is a natural resistance to report this stuff [environmental indicators] as information may be used against them.</p> <p>The government does not understand the multi-stakeholder approach; government talks to itself.</p> <p>CAPP doesn't like being told what to do. They want to say this is what the data show, and we can manage and regulate ourselves and take care of our problems.</p> |
|  |  |                           |  |
|  |  |                           |  |
| Transparent  | Transparent  | Transparent               | Transparent  |

TABLE VI  
Attitude toward environmental reporting

| Leaders logic   | Laggards logic   |
|---|--|
| <p><b>Value in reporting</b></p> <p>Global trade and the demand for comparative analysis...are going to encourage environmental reporting.</p> <p>The only way to show the public that we are doing something is to have some performance measures to show that we are meeting those principles.</p> <p>I think it is the internal benefits from doing these reports that is quite substantial.</p>   | <p>No value of reporting</p> <p>No one wants to be measured unless he/she has to.</p> <p>Reporting all this stuff doesn't tell you anything about how you are managing.</p> <p>All of a sudden you have this measuring stick and you start to say it really isn't fair because our plant is different...we are afraid of being measured.</p> <p>No news is good news and that has been the kind of culture we were brought up in.</p>  |
| <p><b>Open to benchmarking</b></p> <p>The majors are focusing on peer groups.</p> <p>We rely on the larger companies as role models in how we operate. Company A, D and E are good role models.</p> <p>The ethical investments...[and] the task force on churches and corporate responsibility have their benchmarks. They will start to differentiate on reputation. Frankly, that is far more effective than the regulation.</p>  | <p>Reluctant to benchmark</p> <p>I had been personally involved in the benchmarking before I went overseas. When I came back...it had all disappeared.</p> <p>A lot of companies will be receptive to [environmental benchmarking] but the middle-range and junior level will not be.</p>  |
| <p><b>Benefits</b></p> <p>There are often opportunity costs savings...they are not budget line items. It is a matter of managing our assets judiciously.</p> <p>...we really do view it as a competitive edge and I've actually seen it happen. We are a pretty small company and they ask us to join with all these multinationals. We are really learning from these other companies.</p> <p>They are willing to spend extra money now because they know they will be back developing additional properties out there, and they know they can't afford to have the bad publicity or they will not be welcomed back...it will cost more...</p> <p>I guess you could say that the report was part of a strategy to turn ourselves around.</p> | <p>Costs</p> <p>They do not and are not prepared to devote resources particularly when we [the oil industry] do not have any control over what we get for our product.</p> <p>It is ideology, it's not cost. In many cases it is no more expensive to have adequate enforcing on the front end; and the industry big guys want it because it is a level playing field.</p> <p>I got a funny response from one of the money people that a triple A rating [for environment] would be negative. And I said: What do you mean? He said: I would expect the company to do only what is necessary to comply and anything more would be wasting money.</p> |



*The interaction of field level and organization level influences*

We found that a diverse set of field level influences and organizational characteristics led to the differences between these two organizational populations. As we discuss these factors in the next sections, we frequently refer to Table VII which provides information on the characteristics of 36 petroleum companies (making up more than 85% of Canadian oil production), including environmental disclosure indices, membership in trade associations, number of countries in which firms operate, listings on stock exchanges, and company size (based on production).

Two primary influences at the field level contributed to these contrasting organizational populations: the structure of the industry's trade association coupled with an organization's level of exposure to the local cultural, political, and economic climate.

*Lack of a coordinated trade association*

Barnett (2006a) notes that industry and trade associations provide the primary legal means of intentional coordination. However, according to Scott (2001, p. 140), "organizations vary in the extent to which they are under the jurisdictional authority of oversight agencies." Scott suggests that "the influence of various regulatory and normative bodies varies depending on the institutional logics dominant within the wider institutional environments" (2001, p. 158). Indeed, the industry association's task was difficult. In the words of an industry member, "trying to police the oil industry is like trying to herd cats." As mentioned earlier, over 200 producers make up the industry association (Also, The Small Explorers and Producers Association of Canada (SEPAC), another trade association with over 450 members, represents the emerging junior oil and gas companies). The Board of Governors for CAPP was formed with equal representation based on size categories rather than larger producers having greater voice. Due to this governance structure of absolute numbers, the major producers do not dominate as much as expected based on production or revenues. Thus, the industry lacks a dominating force that could provide homogeneity. CAPP, therefore, deals with divergent attitudes toward environmental concerns among its many members because representation is not determined by production levels.

As shown in Table VII, the majority of the weakest reporters (laggards) were members of only one trade association, that is, CAPP, (the trade association for upstream producers). In contrast, most of the strong reporters (leaders) were receiving signals from other trade associations, such as the Canadian Petroleum Products Institute (CPPI), whose members have refining and retail operations and have provided an environmental report for some time. Other strong reporters were members of the Canadian Chemical Producers Association (CCPA) and/or its Responsible Care program and the American Petroleum Institute, whose members were also providing environmental reports. Yet, others were members of international trade associations, such as the International Petroleum Industry Environmental Conservation Association (IPIECA).

*The differing exposure to local cultural, political, and economic forces*

Along with a weak trade association, a key difference between these two groups of firms related to the degree to which these firms were exposed to the local provincial context. The leading firms generally operated in a more international context more attuned to changing societal expectations about environmental performance and reporting. In contrast, the laggards in our study attended only to selected signals from their immediate geographic context (e.g., shareholder demands, political ideology) and ignored broader societal expectations that could endanger both their own legitimacy and that of the Canadian petroleum industry as a whole. Instead, the laggards reflected the local provincial culture that exhibited less concern for the environment and were less concerned with addressing stakeholder expectations. Therefore, laggards perceived environmental actions, reporting, and regulation to be an unnecessary cost rather than a means to access lands for producing product.

This culture was supported by the provincial government, led by the Progressive Conservative party, Canada's right of center party. The Progressive Conservative party and its equally conservative predecessor, the Social Credit Party, have been in office since 1935 without interruption. This government emphasizes economic liberalism (e.g., deregulation, tax cuts) and social conservatism (e.g., reduced spending on social programs). The provincial government perpetuated laggard perceptions

TABLE VII  
Organizational characteristics of 36 upstream petroleum companies in Canada<sup>a</sup>

| Organization population | Disclosure index <sup>b</sup> | Member of a trade association other than CAPP <sup>c</sup> | Number of countries of operation | Number of exchanges | Size based on volume of Canadian production (1 = largest production) |
|-------------------------|-------------------------------|--|----------------------------------|---------------------|--|
| Leaders                 | 25                            | Yes  | 2                                | 2                   | 12   |
|                         | 22                            | Yes  | 1 <sup>d</sup>                   | 1                   | 11   |
|                         | 19                            | Yes  | 7                                | 2                   | 15   |
|                         | 18                            | No   | 11                               | 2                   | 8  |
|                         | 13                            | Yes  | 1                                | 2                   | 9  |
|                         | 13                            | Yes  | 1 <sup>d</sup>                   | 1                   | 2  |
|                         | 13                            | Yes  | 75                               | 1 <sup>e</sup>      | 10   |
|                         | 11                            | Yes  | 35                               | 1 <sup>e</sup>      | 5  |
|                         | 11                            | No   | 7                                | 2                   | 1  |
|                         | 10                            | No   | 8                                | 1 <sup>e</sup>      | 27   |
|                         | 10                            | Yes  | 180                              | 1 <sup>e</sup>      | 14   |
|                         | 10                            | No   | 3                                | 2                   | 3  |
|                         | 10                            | Yes  | 2                                | 1                   | 4  |
|                         | 10                            | Yes  | 200                              | 1 <sup>e</sup>      | 6  |
|                         | 8                             | No   | 9                                | 2                   | 7  |
|                         | 8                             | No   | 1                                | 1                   | 17   |
|                         | 8                             | No   | 2                                | 1                   | 25   |
|                         | 8                             | No   | 1                                | 2                   | 24   |
| Laggards                | 7                             | No   | 1                                | 2                   | 28   |
|                         | 6                             | Yes  | 8                                | 1                   | 13   |
|                         | 6                             | Yes  | 10                               | 1                   | 26   |
|                         | 6                             | No   | 1                                | 1                   | 23   |
|                         | 6                             | No   | 1                                | 1                   | 22   |
|                         | 6                             | No   | 1                                | 1                   | 35   |
|                         | 5                             | No   | 8                                | 1                   | 18   |
|                         | 5                             | No   | 1                                | 1                   | 32   |
|                         | 5                             | No   | 1                                | 1                   | 34   |
|                         | 4                             | No   | 3                                | 1                   | 31   |
|                         | 4                             | No   | 2                                | 2                   | 20   |
|                         | 3                             | No   | 1                                | 1                   | 36   |
|                         | 2                             | Yes  | 7                                | 2                   | 19   |
|                         | 2                             | No   | 1                                | 1                   | 30   |

TABLE VII  
continued

| Organization<br>population | Disclosure<br>index <sup>b</sup> | Member of a trade<br>association other<br>than CAPP <sup>c</sup> | Number<br>of countries<br>of operation | Number<br>of exchanges | Size based on volume<br>of Canadian production<br>(1 = largest production) |
|----------------------------|----------------------------------|--|--|------------------------|--|
| Laggards                   | 1                                | No   | 1                                      | 1                      | 16   |
|                            | 0                                | No   | 1                                      | 1                      | 33   |
|                            | 0                                | No   | 1                                      | 1                      | 37   |
|                            | 0                                | No   | 1                                      | 1                      | 29   |

<sup>a</sup>Although we have displayed characteristics of only 36 firms, while the total industry is composed of over 200 firms, no other firms were reporting. We have arbitrarily divided our sample of 36 firms (producing over 90% of the industries' production) in half, thus illustrating the differences in characteristics between leaders and laggards of environmental actions and disclosure.

<sup>b</sup>Disclosure Index was compiled from weightings over a three-year period of time given for the following forms of disclosure: stand-alone corporate responsibility, environmental, or sustainability reports; environmental disclosure in annual reports; environmental information on websites; quality ratings for each company for its stand-alone reporting as evaluated by Stratos, Inc., and quality ratings as evaluated by Voluntary Challenge & Registry for each company's report for control of climate change emissions.

<sup>c</sup>CAPP is the primary trade association for the upstream segment of the industry; however, several integrated companies also have downstream operations (primarily gas stations and refining) and therefore belong to the Canadian Petroleum Products Institute (CPPI) or the Canadian Chemical Producers Association (CCPA), if they have chemical products. Others have international operations and belong to the American Petroleum Institute or International Petroleum Conservation Industry Environmental Conservation Association (IPIECA).

<sup>d</sup>Indicates that the company is a subsidiary of a multinational company with operations in multiple countries.

<sup>e</sup>Indicates that the company's stock is sold on an exchange other than Canada.

that environmental attention was unimportant through poor enforcement of environmental regulations, impeding key environmental initiatives, cutting regulatory boards' budgets, and ignoring recommendations made by environmental departments and professionals. Consequently, local firms were generally unwilling to participate in the industry association's efforts to initiate a performance and reporting program.

#### *Organizational level characteristics*

Several organizational level characteristics also played a role in determining which logic was more salient for these firms (see Table VII). For instance, leaders tended to have operations in more countries and were listed on more stock exchanges and/or stock exchanges outside Canada. Laggards were less likely to have a board committee to address environmental issues. Of those companies that had board committees, a review of their duties showed a focus on meeting regulatory requirements and avoiding fines rather than addressing the broad level sustainability demands of their stakeholders, as the leaders' committees did. Furthermore, as shown in Table VII, many of the leaders were integrated, operating in both the upstream (exploration and production) and the downstream (transportation, refining, and end-user sales) sides of the petroleum business, whereas few of the laggards operated in the downstream sector (retail sector). Also, if a company has operations in a number of countries and is integrated, it is likely that it will be a large company with less dependency on scarce resources. Even though many of the leaders are large companies, size is not the only variable that helps to understand the existence of two logics within the industry (See Table VII).

We summarize our findings as follows. Leaders were guided by a logic aligned with increasing societal pressures for improved corporate environmental performance and reporting. They were attempting to improve environmental performance in response to pressures from a variety of stakeholders and were willing to disclose their progress, thereby moving beyond compliance. Leaders generally operated in a more international context, were listed on foreign exchanges, and were integrated. In contrast, laggards were guided by a logic shaped by local, cultural, political, and economic ideals less receptive to environmental performance and

reporting. They dismissed the need for improvements to environmental performance, instead, emphasizing financial performance. Laggards, more likely to be local, upstream firms and less likely to have board committees to address environmental issues, were reluctant to disclose information regarding their environmental performance due to the presence of a different institutional logic.

#### **Discussion**

Our objective is to understand why some firms within the Canadian petroleum industry were more resistant to adapting to changing societal logics regarding corporate environmental action. The competing logics perspective points to possible sources for the heterogeneity in responses. Jones et al. (2007) characterized organizations' approaches to stakeholders as either self-regarding or other-regarding, depending on the willingness of the organization to consider its own interest or the interests of others in decision-making processes. Along these same lines, Mattingly and Hall (2008) found that Alford's and Friedland's (1985) logic of democracy tends to motivate more stakeholder alliances and inclusiveness of parties external to the organization, while their logic of capitalism has the opposite effect. These frameworks appear to describe the various attitudes of the leaders vs. the laggards not only toward stakeholders but also toward environmental performance, regulation, and environmental reporting.

It appears that these firms are influenced by competing logics; our interest is in understanding how differences in organizational actors and their contexts affect the salience of these competing logics. We found that the answer lies in several inter-related factors at multiple levels. Factors at the organizational level include organizational size, the geographic extent of operations, and the breadth of operations (production vs. retail or both). At the field level, we found that organizations were influenced to varying degrees by the industry's trade association and by the degree to which they attended to the local vs. the international political and economic climate and culture. In cases like this, where the local political climate differs from the international political climate, these findings underscore the



importance of looking to organizational factors to understand how different aspects of an organization's institutional context will affect its behavior. For instance, consistent with the findings of Marquis et al. (2007), we found that institutional pressures at the community level can shape corporate social action. However, while these authors highlight the role of community isomorphism in influencing similarities in patterns, we found that different *degrees* of exposure to these communities and their pressures can promote *different* responses. Thus, organizational factors influenced the degree of salience of prevailing local vs. international logics, which in turn influenced organizational action. It appears that the leading group of firms had different organizational characteristics that led them to have more exposure to the institutional contradictions posed by the international arena than the lagging firms, which were under much less pressure locally to change.

One might argue that a stakeholder perspective (Carroll, 1989; Freeman, 1984; Frooman, 1999; Phillips, 2003) also offers insight into the different responses of these firms because these two populations answered to different constituents. Also, Cormier et al. (2004) found that environmental managers' attitudes toward certain groups of stakeholders affect the decision to disclosure environmental performance. For example, most leaders have more extensive international operations and/or are listed on international securities exchanges. As a consequence, leaders are exposed to different politics and regulations and are influenced by stakeholders' expectations outside of their home province headquarters. Most leaders also operate in both the upstream and downstream sectors. Downstream firms sell their product to the retail consumer and as a consequence must attend to the concerns of yet another stakeholder group, the consumer. In contrast, given that most laggards sell to a confined market (business-to-business), they are less affected by consumer choice. Under these conditions, the stakeholder perspective suggests that leaders would be influenced by the societal shift toward demands for better corporate environmental performance and thus engage in environmental actions and reporting. Yet, while the stakeholder perspective helps us to understand part of the variance in response (why the laggards did not perceive the legitimacy concerns of the industry), it is less able to explain why, once they

were faced with the pressures from their industry association and a change in attitude of local stakeholders, they still resisted.

Bansal (2005) found that both resource and institutional factors influence sustainable practices. Therefore, one could propose that our results could be explained with reference to resource (cash flow and capability) arguments (Pfeffer and Salancik, 1978). This perspective would argue that laggard firms were reluctant to comply because they are smaller in size and held fewer resources than leading firms. Yet, regulators commented that some very small companies did a tremendous job and put the majors to shame. Furthermore, Table VII reveals that the top three companies in terms of environmental disclosure are mid-sized companies, whereas, the first, third, fourth, sixth, and seventh largest companies, while providing some disclosure, are far less comprehensive in terms of disclosure than some of the smaller industry members. The initial level of the CAPP Stewardship Program allowed firms to choose among four levels of stewardship. The lowest level only required a commitment to stewardship, and no other action, yet some firms did not participate. These firms could simply have employed a strategy of avoidance or weak compromise (Oliver, 1991) or responded in a ceremonial manner through decoupling (Meyer and Rowan, 1977) or loose coupling (Weick, 1976). Therefore, we hesitate to offer the simple solution of different responses resulting from simple resource arguments; that is, the laggards could not afford it.

It is through the lens of competing logics that we see that the laggards and the leaders are separated by differences at the organizational level that reinforce the degree to which these two groups did or did not perceive threats to their legitimacy. Making use of the notion of competing logics, our analysis underscores the need to understand the institutional sources of constraint on organizational action at multiple levels (Thornton and Ocasio, 2008). Consistent with Dillard et al. (2004) and Thornton and Ocasio (2008), we propose that understanding the interplay between field level influences and organizational characteristics is important in explaining the differing institutional logics and responses of these two organizational populations. Even though higher-order societal institutions shape an organization's vision of the world (Suddaby and Greenwood,

2005), we stress the importance of understanding the nested nature of these constraints at multiple levels.

Also, we found that competing logics can form the roots of resistance to change, similar to Marquis and Lounsbury (2007). As suggested by Seo and Creed (2002), institutional contradictions prove to be a source of change for the leading organizations; however, our study also provides insights into the conditions under which the lagging organizations resist this change. Our case study adds to the development of the competing logics perspective by highlighting that differences at the organizational level lead to different levels of salience for the contradictions that develop at the level of the institutional field. In our study, firms that were larger, with a more international orientation, and with a larger breadth of operations were more attuned to changes in the institutional field calling for corporate environmental action. In contrast, the smaller, local, upstream firms were more apt to pay heed to the local political climate that was critical of regulation and wary of the need for environmental improvements. We demonstrate that differences in the interaction between organizational characteristics and field level influences shaped the way that these firms perceived possible legitimacy concerns and also how they responded to these pressures.

## Conclusions

This study goes beyond the mere specification of institutional logics to investigate the fundamental sources of resistance to shifting logics in a given field. In particular, we find that some organizations resist conforming to changes in societal logics as a result of factors at both the organizational and the field level. Thus, we contribute to a growing interest in heterogeneity in institutional fields by studying the roots of resistance as a strategic organizational response to shifting societal logics and how competing logics create variation in the practices and behaviors of distinct groups of actors, thereby creating differing populations within institutional fields. Furthermore, these different populations may perceive and respond to external expectations differently.

Our results must be tempered by potential limitations. Our study is exploratory in nature and is a

case study of only one industry in one country and therefore is not directly generalizable to other industry settings. However, it provides insight into why the Canadian petroleum industry responded to political, economic and cultural pressures differently than other resource-based Canadian industries. Future studies could examine and compare other industries and other countries to refine and assess the generalizability of our results. We also used an arbitrary cut score approach to separate laggards from leaders. In reality, the progression from laggard to leader is more likely to fall along a continuum. Finally, our study has focused at the level of organizations and institutional fields. Despite the need for research that considers all three levels of analysis (Battilana, 2006; Friedland and Alford, 1991), we have not explicitly considered the individual level in our analysis. Thus, we are not able to comment on the potential role of individual change agents or institutional entrepreneurs in exploiting the contradictions present in the institutional environment to promote change in the leading firms or to resist change in the lagging firms.

Our study makes several contributions. First, it begins to address a question posed by Marquis et al. (2007), regarding how social action changes as the scope of firms' venues and activities expands from local to national to global. Our findings suggest that as the scope of a firm's activities expand, so does its tendency to adjust to shifts in societal level logics. In contrast, the firms in our study that resisted a shift consistent with societal logics were generally those with a more limited geographic exposure. Our study also addresses a call by Hirsch and Lounsbury (1997) for more research that examines the mechanisms by which major changes and events shape institutions. Marquis and Lounsbury (2007) suggested that it is equally important to attend to the forces of resistance as it is to understand the mechanisms of diffusion. Furthermore, Thornton and Ocasio (2008) have noted that most research on institutional logics tends to emphasize one level over another. Here, we attempt to link institutional influences at the both the organizational and field levels. Finally, our work provides explanations for corporate social practices (Margolis and Walsh, 2003). From a practical standpoint, understanding the conditions that influence the logics of corporate decision makers will improve our understanding of what motivates firms

to engage in corporate social practices. Understanding how and why firms incorporate environmental considerations into their actions is crucial for both policy-makers and business strategists (Bowen, 2000).

## Note

<sup>1</sup> Petroleum industry refers to the upstream petroleum and natural gas industry consisting primarily of exploration and development.

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